

Message Text

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ORIGIN DOE-15

INFO OCT-01 ARA-10 EUR-12 ISO-00 SOE-02 OES-07 ACDA-12
SS-15 PM-05 ICA-11 CIAE-00 INR-10 IO-13 L-03
NSAE-00 NSC-05 EB-08 NRC-05 DODE-00 SP-02 CEQ-01
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PM/NPP: A LOCKE (INFO)
ARA/ECA: N BOUTON

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FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA PRIORITY
INFO AMEMBASSY VIENNA PRIORITY
AMCONSUL RIO DE JANEIRO PRIORITY
AMCONSUL SAO PAULO PRIORITY

C O N F I D E N T I A L STATE 165845

E.O. 11652: GDS

TAGS: ENRG, TECH, BR

SUBJECT: CONDITIONAL ENRICHMENT SERVICES CONTRACTS

REF: BRASILIA 4319

1. PLEASE ADVISE FURNAS CENTRAIS ELECTRICAS THAT BRAZILIAN
SUGGESTION THAT THEY MAKE DOWN PAYMENT ON CONDITIONAL
URANIUM ENRICHMENT CONTRACTS NOS. AT(49-14)-UES/BR/100
AND AT(49-14)-UES/BR/101 NOT UPON AMENDMENTS TO DELETE
PLUTONIUM RECYCLE CONDITION BUT UPON EXECUTION OF SATIS-
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FACTORY NEW AGREEMENT FOR COOPERATION HAS BEEN VERY
CAREFULLY CONSIDERED. HOWEVER, AFTER REVIEW OF THE
SITUATION, INCLUDING FACT THAT OTHER CUSTOMERS HAVE
PAID DOWN PAYMENT IN SIMILAR SITUATIONS IN KEEPING WITH US
REQUIREMENTS, FINAL DECISION IS THAT US IS UNABLE TO AGREE
TO BRAZILIAN SUGGESTION. HOWEVER, IN VIEW OF THE SHORT
TIME REMAINING FOR BRAZILIANS TO DECIDE WHETHER OR NOT TO

LET THE CONTRACTS LAPSE AND THE FACT THAT THE NEW ADJUSTABLE FIXED COMMITMENT (AFC) CONTRACT IS AS YET UNAVAILABLE IN FINAL FORM, WE WILL, IF THEY SO DESIRE, AGREE TO A FURTHER EXTENSION UNTIL SEPT 30, 1978, DURING WHICH BOTH PARTIES CAN EXPLORE POSSIBILITY OF OTHER OPTIONS.

2. PLEASE ADVISE THEM FURTHER THAT DOE ORDER BOOKS ARE NOW OPEN AND THEY CAN ASK FOR THE NEW AFC CONTRACT WHICH SHOULD BE IN FINAL FORM BY EARLY JULY. THE AFC CONTRACT WILL ALSO REQUIRE A DOWN PAYMENT. THIS WILL BE ACCORDING TO A FORMULA WITH THE FIRST PAYMENT DUE UPON EXECUTION (IF EXECUTED MORE THAN 6 YEARS IN ADVANCE OF THE INITIAL DELIVERY PERIOD) EQUAL TO 600 DOLLARS TIMES THE UPPER LIMIT OF THE GROSS MWE RANGE AND THE SECOND PAYMENT DUE 6 YEARS BEFORE THE INITIAL DELIVERY PERIOD, WHEN THE APPENDICES HAVE TO BE FIRMED UP. TOTAL DOWN PAYMENTS UNDER THE AFC CONTRACT WILL BE SOMEWHAT HIGHER THAN UNDER THE PRESENT CONTRACTS.

3. OF COURSE, ANY AFC CONTRACT WITH BRAZIL WOULD ALSO BE SUBJECT TO AN APPROPRIATE AGREEMENT FOR COOPERATION WITH ADEQUATE CEILINGS.

4. FYI AND USE WITH BRAZILIANS IF THEY RAISE THE QUESTION, WE ARE PREPARED TO CONSIDER AFC CONTRACTS WITH BRAZIL INVOLVING EXECUTION LESS THAN 6 YEARS BEFORE INITIAL CONFIDENTIAL

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DELIVERY PERIOD. END FYI

5. IN EVENT BRAZILIANS DECIDE TO EXTEND CONTRACTS TO SEPTEMBER 30, 1978, FURNAS SHOULD BE REMINDED THAT ALL HOLDERS OF PRESENT DOE LONG-TERM FIXED COMMITMENT CONTRACTS HAVE BEEN REQUESTED TO SUBMIT BY JULY 1, 1978, NON-BINDING NOTICE OF THEIR INTENT TO CONVERT SUCH CONTRACTS TO NEW AFC CONTRACTS IN ORDER TO PRESERVE ALL OPTIONS AVAILABLE TO THEM. VANCE

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